

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 91-155-W - ORDER NO. 93-994 ✓

NOVEMBER 4, 1993

IN RE: Application of Sigfield Water Company, Inc. for an Increase in Water Rates and Charges.))))	ORDER DENYING REHEARING AND RECONSIDERATION
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This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition for Rehearing and Reconsideration of our Order No. 93-887, filed by the Applicant in this case, Sigfield Water Company, Inc. (Sigfield or the Company). The Petition primarily focuses on the Commission's exclusion of the \$12,000 management fee proposed by the Company. Because of the reasoning stated in the following paragraphs, the Applicant's Petition for Rehearing and Reconsideration must be denied.

In our Order No. 93-887, the Commission concluded that each of the Staff adjustments proposed by the Commission Staff were appropriate and were adopted by the Commission, with the exception of the adjustment for the \$12,000 in management fees. The Commission held in Order No. 93-887 that the Company simply did not meet its burden of proof with regard to this adjustment. We have re-examined this matter and hereby affirm our previous holding.

The Applicant's Petition for Rehearing and Reconsideration states that the \$12,000 management fee was supported by the testimony of Harold A. Sigmon, Sr. Sigmon, according to the Petition, presented testimony, as well as a log book of recorded entries for services and repairs provided to the system and its customers. The Applicant noted that no complaints were received about the water company doing the Applicant's test year. The Applicant further noted that the Commission Staff recommended the allowance of the adjustment. Sigmon testified that management had never received any compensation for services since the Company was formed in 1986, mainly because there were no funds from which to draw a management fee. Sigmon stated that the management of a public water system is very time consuming, and that essentially, he is on call 24-hours a day to handle any problems that could arise. Sigmon further stated that the \$12,000 management fee is less than a reasonable wage for the time and travel expenses involved in the management of the system.

The Intervenor witnesses vigorously opposed the adjustment. Intervenor witness Wilson M. MacEwen testified that no supporting detail was provided as to how the \$12,000 management fee was arrived at, or for what periods it covered. Further, Intervenor witness Virginia B. Bruner testified that she had reviewed the log book entries referred to by Mr. Sigmon and found that the book is, for the most part, merely a maintenance log for which the Company is already being billed. Bruner also noted that at the time of the hearing, the Applicant neither maintained an office manager or

agent in Clarendon County. Further, Bruner noted numerous occasions whereby water service would be interrupted without prior notice to customers.

Consumer Advocate witness John West testified that the \$12,000 management fee had not been paid, and as such, was not a cash expense. Allowance of such a fee, according to West, would not be in accordance with generally accepted accounting practices for cash basis financial statements and should not be allowed as an expense for ratemaking purposes.

We have re-examined that matter and do once again hold that the Applicant simply did not meet its burden of proof for the \$12,000 management fee adjustment. We agree with Intervenor witness McEwen that no supporting detail was provided as to how the fee was arrived at, or for what periods it covered. We also agree with the testimony of Intervenor witness Bruner. We agree that the log book presented was largely a maintenance log, and did not really contribute to justification for the \$12,000 adjustment. Further, although the Company has now notified the customers and the Commission that an agent for the Company has been retained in Clarendon County, the Commission cannot condone service interruptions without notice, and hold that this further contributes to our rejection of the management fee adjustment. The testimony of John West is significant as well. No \$12,000 amount had actually ever been paid. Therefore, the \$12,000 figure, without more, is largely theoretical.

We therefore, based on all the evidence, reaffirm our holding

that the Company simply did not meet its burden of proof with regard to the management fee. In addition, we believe that the evidence strongly weighs against the approval of this adjustment, despite the Commission Staff's recommendation of it.

The Applicant also notes in its Petition for Rehearing and Reconsideration that, because the Commission, in Order No. 89-160, granted a \$2,400 management fee, the Commission should somehow have granted the \$12,000 management fee requested in the present case. This argument is specious. Once again the Applicant simply failed to prove the validity of this adjustment.

Applicant's further allegation in its Petition is based on the Commission's statement that it had "considered the testimony of the Intervenor witnesses in this case, several of which who have been customers of the system for years..., the Commission has determined that the proposed increase is unreasonable...." (Order No. 93-887 at p. 12.)(emphasis added). The Applicant concluded, based on this statement, that the Commission had improperly relied on the testimony of James F. Gunn, whose testimony had been stricken from this Docket. The Commission hereby clarifies by stating that the testimony of James F. Gunn was not considered in this decision. The Commission did indeed refer to the statements of "several customers" however, upon reflection, this is simply a mischaracterization. Gunn's testimony was never considered in this case.

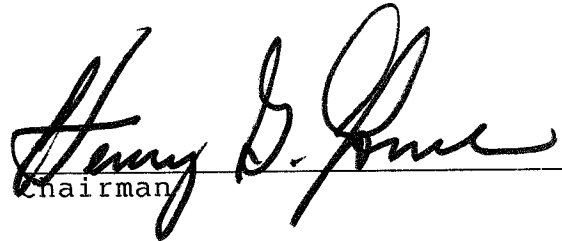
IT IS THEREFORE ORDERED THAT:

1. The Applicant's Petition for Rehearing and

Reconsideration is hereby denied.

2. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)